



OUR SOLE PURPOSE

Missouri State Employees' Retirement System • A Component Unit of the State of Missouri
Summary Annual Financial Report • Fiscal Year Ended June 30, 2008



OUR MISSION

To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.

CORE VALUES

Quality

Strive to exceed the expectations of internal and external customers through innovation, competence, and teamwork. Seek to “do it right” the first time.

Respect

Be sensitive to the needs of others, both within and outside the organization. Be courteous, considerate, responsive, and professional.

Integrity

In all endeavors, act in an ethical, honest, and professional manner.

Openness

Be willing to listen to, and share information with, others. Be receptive to new ideas. Be trusting of others.

Accountability

Take ownership of and responsibility for actions and their results. Learn from mistakes. Control system risks and act to protect the security of member information and system assets.

MESSAGE FROM THE BOARD CHAIR



Missouri State Employees' Retirement System

Mailing Address
PO Box 209 • Jefferson City, MO 65102-0209

Building Location
907 Wildwood Drive • Jefferson City, MO

October 13, 2008

Dear Members:

On behalf of the board of trustees, I am pleased to present the *MOSERS Summary Annual Financial Report* for the fiscal year ended June 30, 2008. This report provides information on the financial status of your retirement system while also highlighting changes that occurred during the year.

Your retirement system remains well funded and your promised benefits are secure.

In keeping with this year's annual report theme, "Our Sole Purpose" is to ensure that your retirement system remains well funded and your promised benefits secure. The MOSERS fund generated a notable return of 1.6% (net of expenses) for the year, which is impressive given that the one-year performance of most institutional portfolios was negative for the first time since March 2003. This positive return outpaced our policy benchmark by 2.8%, resulting in an extra \$224 million for the fund. For the eighth straight year, MOSERS' investments have generated returns in excess of the benchmark and have done so with less volatility. The incremental reward from these results over eight years has been an additional \$1.7 billion in MOSERS' coffers.

I am also pleased to report that your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways we measure our overall performance is through the Cost Effectiveness Measurement (CEM) Benefit Administration Benchmarking Analysis. CEM evaluated 74 leading pension systems, including systems in the United States, Canada, Australia, and the Netherlands. Of the U.S. public pension plans, 14 were identified as our most relevant peer group based on membership size and system assets. The CEM survey rated MOSERS' service delivery as the highest in our peer group at median costs.

On a much sadder note, we said goodbye this year to Michael Keathley, the Commissioner of Administration and a MOSERS' trustee, who died this past year after a long and courageous battle with cancer. Mike's commitment to excellence, coupled with his quick wit and tireless energy, inspired everyone who served with him. On behalf of the entire board and staff, we extend our sincerest condolences to his beloved wife Julie and their dear sons, Peyton and Mason.

In closing, you can be assured that MOSERS' staff strives to provide the expertise and professionalism required for excellence in our retirement system. I would like to thank them for continuing to maintain a high level of commitment to serving our membership, and we look forward to meeting your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102, or call 1-800-827-1063. You can also visit our website at www.mosers.org.

Sincerely,

Wayne Bill, Chair
Board of Trustees

Phone: (573) 632-6100 • (800) 827-1063
MO Relay: 7-1-1 (Voice) • (800) 735-2966 (TTY)
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FINANCIAL STATEMENTS

Summary Comparative Statements of Plan Net Assets

	As of June 30, 2008	As of June 30, 2007	Amount of Change	Percentage Change
Cash and short-term investments	\$ 721,501,696	\$ 559,151,957	\$ 162,349,739	29.03%
Receivables	99,212,664	266,136,960	(166,924,296)	(62.72)
Investments at fair value	7,356,225,040	7,591,560,532	(235,335,492)	(3.10)
Invested securities lending collateral	990,447,379	899,055,356	91,392,023	10.17
Capital assets	3,328,380	3,309,904	18,476	0.56
Other assets	83,927	40,139	43,788	109.09
Total assets	9,170,799,086	9,319,254,848	(148,455,762)	(1.59)
Administrative expense payables	1,320,282	1,691,875	(371,593)	(21.96)
Investment expense payable	35,094,903	0	35,094,903	100.00
Investment purchase payables	98,784,467	262,775,085	(163,990,618)	(62.41)
Securities lending collateral	1,006,614,299	899,444,368	107,169,931	11.92
Other liabilities	17,613,720	26,169,163	(8,555,443)	(32.69)
Total liabilities	1,159,427,671	1,190,080,491	(30,652,820)	(2.58)
Net assets	\$8,011,371,415	\$8,129,174,357	\$(117,802,942)	(1.45)%

The Statements of Plan Net Assets are summaries of what MOSERS owns and what it owes as of the end of the fiscal year.

Summary Comparative Statements of Changes in Plan Net Assets

	As of June 30, 2008	As of June 30, 2007	Amount of Change	Percentage Change
Contributions	\$ 279,108,667	\$ 266,868,077	\$ 12,240,590	4.59%
Investment income - investing activities	103,249,161	1,292,070,457	(1,188,821,296)	(92.01)
Investment income - securities lending activities	8,442,627	2,859,293	5,583,334	195.27
Miscellaneous income	577,780	547,064	30,716	5.61
Total additions	391,378,235	1,562,344,891	(1,170,966,656)	(74.95)
Benefits	501,911,976	467,836,275	34,075,701	7.28
Service transfers and refunds	251,443	51,980	199,463	383.73
Administrative expenses	7,017,758	6,748,897	268,861	3.98
Total deductions	509,181,177	474,637,152	34,544,025	7.28
Net increase (decrease)	(117,802,942)	1,087,707,739	(1,205,510,681)	(110.83)
Net assets beginning of year	8,129,174,357	7,041,466,618	1,087,707,739	15.45
Net assets end of year	\$8,011,371,415	\$8,129,174,357	\$ (117,802,942)	(1.45)%

The Statements of Changes in Plan Net Assets summarize the flow of money in and out of the fund throughout the fiscal year.

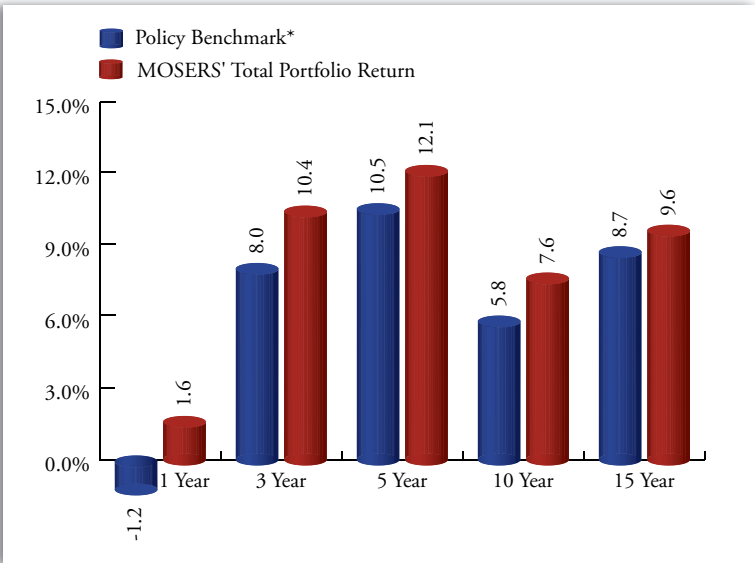
INVESTMENT PERFORMANCE

Investment Return

Comparing the actual investment return relative to specific benchmarks is one means of evaluating the fund’s investment performance. The bar chart to the right illustrates MOSERS’ actual fund return relative to our policy benchmark.

The total fund generated a return of 1.6%, net of expenses, in FY08. On a relative basis, the fund outperformed the policy benchmark by 2.8%.

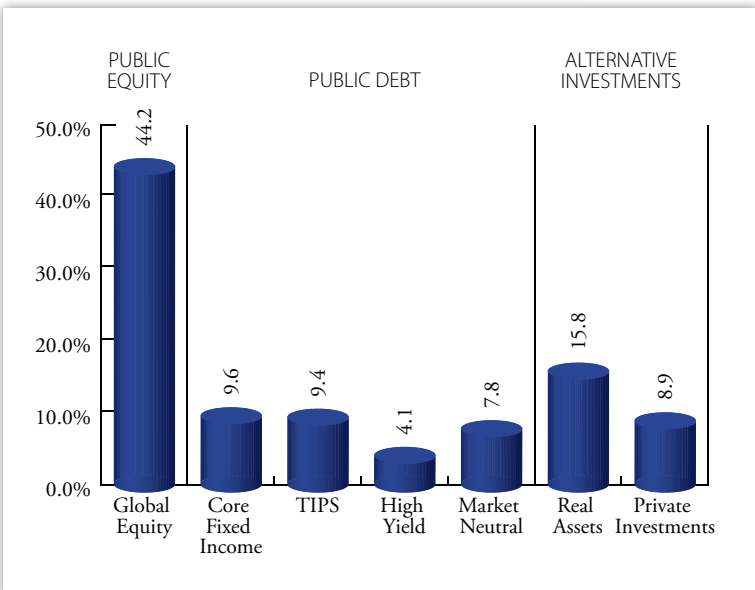
* The policy benchmark provides an indication of the returns that could be achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS’ policy asset allocation.



For the eighth straight year, MOSERS’ investments generated returns in excess of the benchmark which has resulted in an additional \$1.7 billion for the fund.

Diversification of Plan Net Assets

The foundation of the system’s strength and stability rests upon the diversification of plan assets. MOSERS never knows what the future will hold from the investment markets. As a result, the portfolio is structured to control risk under a variety of economic outcomes. Through the diversification of system assets, MOSERS is better able to minimize the overall risk of the portfolio while striving to reach its return objectives. As you will note from the bar chart to the right, MOSERS’ investment program is widely diversified among a variety of asset classes with numerous holdings in each category.



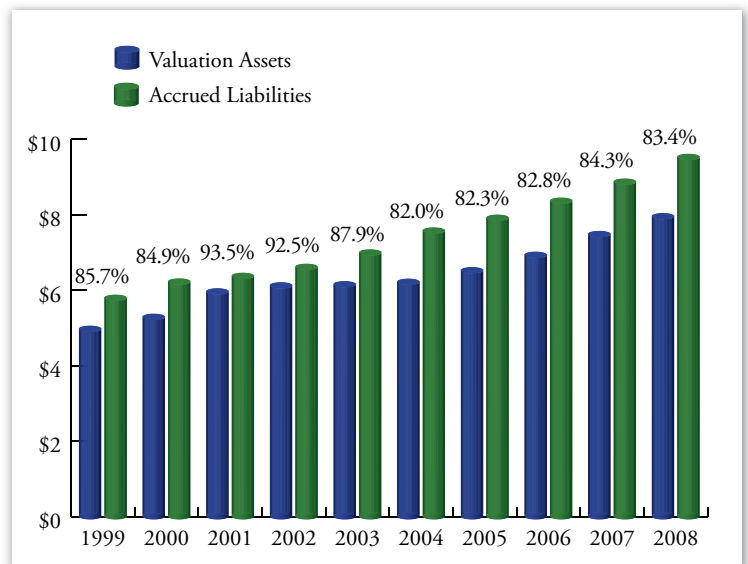
MOSERS’ investment portfolio is widely diversified to control risk under a variety of economic outcomes, which may play out over time.

ACTUARIAL SUMMARY

Funding the Retirement Plan

Your retirement benefits are funded by contributions from the state of Missouri. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the plan's assets (blue bar) relative to the value of the liabilities (green bar). The percentages shown in the bar chart to the right indicate the extent to which the plan was funded as of a given year.

MOSERS was 83.4% funded at the end of FY08.
Being over 80% funded is considered good.



Member Snapshot

June 30, 2008, Actuarial Valuations	MSEP*	Judicial Plan
Active Members		
Average age	45.1	55.0
Average years of service	10.7	11.6
Average annual salary	\$35,139	\$111,079
Retired Members		
Average age	69.0	75.2
Average annual benefit	\$14,425	\$51,170
Total Membership		
Active	54,542	401
Terminated-vested	17,069	54
Retired	30,132	440

* Includes members in both the MSEP and MSEP 2000.

Members Retiring During the Fiscal Year Ended June 30, 2008*

	Years Credited Service by Category							All Members
	<5	5-10	10-15	15-20	20-25	25-30	30+	
Average monthly benefit	\$ 0	\$ 267	\$ 458	\$ 725	\$1,090	\$1,586	\$2,025	\$ 919
Average final average salary	\$ 0	\$2,373	\$2,422	\$2,775	\$2,904	\$3,363	\$3,658	\$ 2,835
Number of retirees	0	425	412	344	369	382	195	2,127

* Includes members in both the MSEP and MSEP 2000.

MOSERS AND THE FINANCIAL MARKET DOWNTURN

A Message From the Executive Director and Chief Investment Officer



Missouri State Employees' Retirement System

Mailing Address

PO Box 209 • Jefferson City, MO 65102-0209

Building Location

907 Wildwood Drive • Jefferson City, MO

As we print this report to you covering the fiscal year ending June 30, 2008, our nation is experiencing an unprecedented credit crisis caused by the collapse of the residential real estate market, which may tip the U.S. economy, and other global economies, into what many fear is a potentially deep recession. While news such as this can be alarming, it is important for you to know that this financial crisis does not affect MOSERS' ability to pay your retirement benefit.

Benefits Are Defined by Law

Your retirement system is a defined benefit plan that is supported by a professionally managed, well diversified portfolio of securities and is designed to withstand various upheavals in the financial markets. The state of Missouri, as your employer, is obligated by law to make contributions to MOSERS necessary to fund the promised retirement benefits. Regardless of investment returns, your retirement benefits are secured by law.

No Immediate Impact on the State's Contribution Rate

The state's contribution rate to be paid for the fiscal year 2009 and 2010 have been actuarially determined based on earlier investment performance – performance gains and losses are phased in over a five-year period so no single year's contribution rate bears the brunt of near-term market volatility.

Solid Long-Term Investment Approach

The MOSERS Board of Trustees and professional investment staff believe the foundation of the system's strength and stability rests upon the diversification of its assets and has no plans to alter the system's long-term investment policy in response to these events. The investment policy is based on prudent and rational portfolio management principles that incorporate past capital market experience, which, by definition, includes catastrophic events such as the one we are currently experiencing.

Market Downturns Are Not New

MOSERS has been in business for over 50 years and has weathered a variety of market downturns including the failure of several large banks in the 70s, the 1987 Black Monday market crash, the savings and loan crisis of the late 80s, the Enron and WorldCom debacles, and the bursting of the tech bubble in 2000 – 2003, just to name a few. We survived each of these significant events and are navigating through this economic upheaval as we have done in the past.

In the meantime, know that in this period of financial uncertainty your pension fund is invested in a well diversified portfolio, and your promised benefits are secure.

Sincerely,

Gary Findlay
Executive Director

Rick Dahl
Chief Investment Officer

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OUTSTANDING ACHIEVEMENT



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2007.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to the GFOA for evaluation.

This *Summary Annual Financial Report* is derived from the information contained in *MOSERS' Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS nor certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' CAFR is produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at www.mosers.org.



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Jefferson City, MO 65102-0209

Contact Information

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